

EMPLOYER HEALTH TAX
ORGANIZATION DESIGN
AND IMPLEMENTATION PLAN



Ministry of Revenue

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EXECUTIVE SUMMARY

In the 1989 Ontario Budget, the Treasurer of Ontario announced the new Employer Health Tax (EHT) to take effect on January 1, 1990. This new tax, which is to be administered by the Ministry of Revenue, is intended to improve access to health care by eliminating OHIP premiums.

The report entitled 'A DISCUSSION PAPER ON ADMINISTRATION OF AN ONTARIO PAYROLL TAX' dated March 21, 1989 was shared with the Ministry of Treasury and Economics and formed the basis for this budget initiative. As there was general consensus regarding the documented implementation considerations and business blueprint, this proposal formed the basis for the subsequent detailed design specification for EHT. This discussion paper also cited the importance of auditing, collection and compliance in the effective administration of this tax.

Provincial Auditor Reports refer to studies which suggested that approximately 15 percent of the taxpayers should be audited annually. Other tax jurisdictions (Federal and Manitoba Governments) with PIT/payroll tax experience have recommended a minimum audit coverage of 5.0% to maintain effective control of the taxroll. Revenue maintains that a targeted audit coverage of 3.5 percent should be the minimum level built into the initial organization design. The long term strategy will be to move to 5.0% audit coverage and it is hoped that resources required to supply the balance will, at least in part, accrue from the Ministry's redeployment strategy. Cost/benefit considerations indicate that EHT audit coverage will most efficiently be provided through a dedicated EHT audit staff. Ministry studies conclude that for each 1 percent of EHT audit coverage provided by Corporations Tax auditors approximately \$14.7 million in direct audit recoveries would be at risk. For each 1 percent coverage provided by Retail Sales Tax auditors approximately \$6.6 million would be at risk.

To meet the objectives of integration, the Ministry's submission MB 89-009 proposed that a 1 percent coverage would be provided through integration with existing audit staff. This will be accomplished by combining payroll audits with as many of the regular RST audits as possible. In order to deliver 4,750 EHT audits, without sacrificing RST audit coverage, an additional 10 person-years were requested.

The EHT has been designed with regard to economy, efficiency and effectiveness and has incorporated anticipated development of the Ministry's information technology. Any proposals to cut staff from the plan will impact on the delivery of the Employer Health Tax. Reductions in front-line staff would, in turn, jeopardize delivery of the full stream of EHT tax revenue, estimated at \$2.1 billion annually. Decisions regarding the overall EHT staffing plan should therefore be made with full regard to program delivery consequences.

The integration of EHT audit, compliance and collection activity with that of other tax administrations has been examined. The following observations can be made:

1. audit candidates vary between tax programs,
2. limited opportunity exists for integrated field audit coverage,
3. the benefits of one-stop service are not promoted by one-stop audit,
4. the existing information systems cannot support integrated collections and compliance across statute areas, and
5. compliance activities are largely determined by the characteristics of the legislation.

In the area of EHT location and distribution, two organization design options have been considered: regional and centralized. The business considerations for selecting the most appropriate organizational design are:

1. Operating cost considerations
2. Visibility and Compliance
3. Availability of walk-in services
4. Difficulty of recruitment in the GTA
5. Career opportunities for regional staff

This report shows that a regional presence promotes the effectiveness of program delivery and is the most efficient means of creating this presence. By locating in areas of greatest taxpayer concentration, the majority of EHT clients will have easy access to information, assistance and advice. It is recognized that the Ministry of Revenue should, where practical and to the extent possible, integrate its regional offices so as to minimize the number of interfaces with our clients. It is important to note however, that benefits from integrated customer service will only accrue where there is a client need for integration.

The proposed EHT structure is lean, basic and concentrated on the "front-line" functions of audit and taxroll administration. The proposed EHT organization also compares very favourably with the staffing level of 487 in the OHIP Premium Program which EHT is effectively replacing. On a normalized basis, "front-line" EHT staff per 1,000 clients is less than one-third that of any of the three existing tax branches.

In part, the staffing differences between EHT and the other tax branches reflect the more complex legislation of CIT and RST. The EHT organization has been intentionally left thin in line with the future Ministry direction to redeploy resources to the front-lines. This redeployment strategy is contingent upon a supporting information technology strategy. Until such time as the information architecture is in place, movement of staff to the front-lines cannot take place in the established branches such as CIT and RST. By building redeployment into the initial EHT design, the success of the EHT administration is very closely linked to the timely development and implementation of appropriate information architecture.

The implementation plan of the Employer Health Tax administration calls for the establishment of the full regional structure by the end of 1990/91. While this remains part of the basic strategy, this time frame may prove to be overly-ambitious. It is, nevertheless, an essential element of the Ministry's implementation strategy. However, the Ministry recognizes the establishment of the full EHT organization could require an additional fiscal year for completion.

Management Board Directives 7-1 and 7-2 establish the requirement for ministries to submit information technology strategic and operational plans each year. The starting point for this process is the establishment of the Ministry's strategic business objectives and the identification of the critical success factors for the achievement of the Ministry's long term vision.

The EHT design is consistent with the Ministry's long term strategy for integrated program delivery. It represents an attempt to expand the range of service and integrate taxpayer account management to the maximum extent possible given the current information systems. The proposed design is seen as facilitating the move towards this new approach to customer service.

**STUDIES AND REPORTS PREPARED BY THE MINISTRY
OF REVENUE IN SUPPORT OF THE EMPLOYER HEALTH TAX PROPOSAL**

1. PAYROLL TAX FOR ONTARIO, November 18, 1981
2. A DISCUSSION PAPER ON ADMINISTRATION OF AN ONTARIO PAYROLL TAX, Ministry of Revenue, March 21, 1989. Prepared for the Treasurer of Ontario in support of his 1989 Budget Initiative.
3. EMPLOYER HEALTH TAX, IMPLEMENTATION STRATEGY, Application and Report to Management Board, MB20 89-009, Ministry of Revenue, August 10, 1989. Prepared for Management Board in defence of the Ministry's request for funding and implementation approvals.
4. EMPLOYER HEALTH TAX ORGANIZATION DESIGN AND IMPLEMENTATION PLAN, Ministry of Revenue, September 27, 1989. Supplementary MB-20 prepared to address specific questions and concerns resulting from the Board's review of MB20 89-009. Application and report requesting balance of funding and full project approval.

In addition to these studies and reports, the Ministry has had extensive briefing sessions and discussions with both Management Board Secretariat and Treasury Staff.

I. BUSINESS MANDATE

In the 1989 Ontario Budget, the Treasurer of Ontario announced the new Employer Health Tax (EHT) to take effect on January 1, 1990. This new tax, which is to be administered by the Ministry of Revenue, is intended to improve access to health care by eliminating OHIP premiums. It is also intended to improve the quality, availability and efficiency of health services by providing a solid foundation for the financing of health care.

The Employer Health Tax will be applied to the total amount of gross wages and salaries and other remuneration paid by employers. This will ensure that all employers contribute a share of the financing of health care as opposed to the current approach where some employers pay health care premiums for their employees and some do not.

The tax will be applied on a graduated scale with small employers making quarterly remittances starting in April 1990 and large employers making monthly remittances starting in January 1990. In addition, following the completion of each calendar year, all employers will be required to complete and file an annual tax return enclosing any balance due or requesting a refund of overpayment.

The legislation provides for the usual range of penalties and interest charges to encourage compliance, and includes specific provision for compound interest calculation and defines tax avoidance.

II. DELIVERY REQUIREMENTS

The following centralized business needs have been identified.

- 1) Identify potential clients: maintain taxroll (PAYDAC)
- 2) Identify real clients: maintain taxroll (Questionnaire)
- 3) Build and stratify a taxroll (Monthly/quarterly filers)
- 4) Proactive communication (Employer Kit)
- 5) Request instalment payments (Remittance Advice)
- 6) Receive instalments (Monthly and quarterly)
- 7) Receive taxes (Annually) *
- 8) Maintain operational and resource information (MIS/EIS) *
- 9) Accounting

The following regional business needs have been identified.

- 10) Develop taxroll stabilization strategies (Service, compliance & audit) *
- 11) Responsive communication
- 12) Compliance/audit *
- 13) Write-offs *

NOTE: (*) Indicate business needs that will not be fully developed until 1990/91. Other business needs will be re-worked at that time based on early experiences.

For a more complete discussion of these delivery requirements please refer to Employer Health Tax Implementation Strategy which accompanied Management Board submission 89-009.

III. STAFFING CONSIDERATIONS

The report entitled 'A DISCUSSION PAPER ON ADMINISTRATION OF AN ONTARIO PAYROLL TAX' dated March 21, 1989 was shared with the Ministry of Treasury and Economics. As there was general consensus regarding the documented implementation considerations and business blueprint, this proposal formed the basis for further specification of the EHT program design. This first look at EHT implementation cited a need for 270 person-years at maturity.

This preliminary implementation strategy recognized that the Employer Health Tax administration needs to reflect and incorporate the business principles which facilitate maximum speed of delivery with minimum cost and maximum effectiveness. The March 21 paper describes seven major criteria which have been identified as critical success factors for the implementation of EHT. In summary these criteria are:

1. use of accepted business practice,
2. simplicity,
3. enterprise perspective,
4. maximum use of current technology,
5. exploit new/advanced technologies where possible,
6. minimal client impact, maximum assistance, and
7. use of capital over labour.

Of particular importance to the development of a staffing plan are the third, sixth and seventh success criteria. An enterprise perspective will ensure maximum compatibility with existing and planned Revenue processes to offer future economies of scale (e.g., taxroll, accounting, collections, etc.). Minimal client impact, maximum assistance suggests that a close parallel of the Federal regime will minimize the impact on the taxpayer and a full spectrum of client support is essential for introducing a new tax for such a large taxroll. Use of capital over labour refers to the objective of automating all major functions with the absolute minimum of exception manual processing to minimize manpower to be applied to the process.

The discussion paper also cited the importance of auditing, collection and compliance in the effective administration of this tax. Essentially, the audit function's role is to ensure that taxpayers comply with all relevant aspects of the legislation and that the correct amounts are reported on the tax remittances. EHT audit will be selective with an emphasis on correcting mistakes to improve voluntary compliance rather than heavy punitive measures.

The Provincial Auditor has pointed out the need for increased audit coverage in Retail Sales Tax in both the 1985 and 1989 reports. In 1986, inadequate Corporations Tax audit coverage was cited. In the 1985 report it was pointed out that "Canadian tax authorities are facing a large and increasing tax gap."² The 'tax gap' represents the shortfall between the tax revenues that the jurisdiction actually receives and the tax revenues that it is legally entitled to

¹ A Discussion Paper on Administration of an Ontario Payroll Tax, Ministry of Revenue, March 21, 1989, page 30.

² Report of the Provincial Auditor for 1985, page 90.

receive. The report goes on to say, "although audit is a primary means of narrowing this gap, resources and efforts devoted to auditing vendors in Ontario have decreased substantially in recent years." The unsatisfactory level of audit coverage referred to was 2 percent, at that time the lowest among all provinces in Canada.

The 1985 Provincial Auditor's Report refers to an external study conducted in the 1960's³ which suggested that approximately 15 percent of the taxpayers should be audited annually. This figure was based purely on economic considerations which stated that up to the 15 percent level there is still more revenue generated from audit activities than the cost of conducting them. Auditing beyond this level would result in diminishing returns to the jurisdiction. Other tax jurisdictions (Federal and Manitoba Governments) with PIT/payroll tax experience have recommended a minimum audit coverage of 5.0% to maintain effective control of the taxroll. The Provincial Auditor concurs with this audit coverage objective in the upcoming 1989 report by recommending that "more audit resources be acquired to broaden audit coverage to at least 5 percent of the active vendor population"⁴.

Under the existing exchange of information agreements with Revenue Canada Taxation (RCT), the federal administration has agreed to supply monthly taxroll maintenance information (new employers, address changes, employers who have gone out of business, etc.). However, RCT have also requested that these agreements be revised, one of their concerns being whether or not EHT qualifies as a similar tax to income tax (see paragraph 241(4)(b) of the Income Tax Act, Canada). It is clear from negotiations that RCT is most interested in eventual exchange of audit information vis a vis EHT. Any decrease in EHT audit resources could jeopardize access to taxroll maintenance data from RCT.

The value of these arrangements with RCT cannot be overlooked. EHT could not be introduced by January 1990, without access to the PAYDAC database (see March 21, 1989 discussion paper previously referenced). While not perfect for EHT purposes, PAYDAC data is, by far, the best information available. Employer rolls in other areas of the Ontario government such as the Worker's Compensation Board (WCB) OHIP are not complete. Not all employers are required to register with WCB and it is not mandatory for employers with less than fifteen employees to register as an OHIP group. Alternatives to PAYDAC data would be more costly and less accurate.

In view of these considerations, Revenue maintains that a targeted audit coverage of 3.5 percent should be the minimum level built into the initial organization design. The long term strategy will be to move to 5.0% audit coverage and it is hoped that resources required to supply the balance will, at least in part, accrue from the Ministry's redeployment strategy. However, at this stage, and in the interest of minimizing cost and manpower, it is currently felt that EHT can be effectively administered with 3.5 percent audit coverage.

It is also important to note that cost/benefit considerations indicate that EHT audit coverage will most efficiently be provided through a dedicated EHT audit staff. A fully trained Corporations Tax auditor generates approximately \$1 million

³ Report of the Provincial Auditor for 1985, page 91.

⁴ Report of the Provincial Auditor for 1989, to be released.

in direct audit recoveries per year and a fully trained Retail Sales Tax auditor generates approximately \$450,000 annually. EHT audits are estimated to require between 4 and 5 hours to complete. Therefore, for each 1 percent of EHT audit coverage provided by Corporations Tax auditors (assuming 200 audit days and 7.25 hours per day) approximately \$14.7 million in direct audit recoveries would be at risk. For each 1 percent coverage provided by Retail Sales Tax auditors approximately \$6.6 million would be at risk.

While recognizing the importance of these auditor yield considerations, the EHT organization design still needs to consider the downstream enterprise perspective opportunities. In EHT submission MB 89-009 it was proposed that an additional 1 percent coverage be provided through integration with existing audit staff. Retail Sales Tax Branch, for reasons which will be expanded upon later, offers the greatest potential for audit integration with lower risk. This will be accomplished by combining payroll audits with as many of the regular RST audits as possible. Operational economies will accrue as there will, in effect, be no EHT audit travel time. In order to deliver 4,750 EHT audits without sacrificing RST audit coverage it is estimated that 10 additional person-years will be required.

One potential side benefit to a dedicated EHT audit process is the possibility for auditor career pathing. While CIT audits require professional accountants, EHT auditors will need only 1-2 years formal accounting training. It is possible that EHT audit could become an entry-level audit position leading to more complex tax administrations such as RST and perhaps even CIT, for those who choose to pursue their accounting designations. By offering career development opportunities, this approach could help the Ministry to attract and retain qualified audit staff.

Because the EHT organization has been designed with regard to economy, efficiency and effectiveness and has incorporated anticipated development of the Ministry's information technology, any proposals to cut staff from the plan outlined in this paper will impact on the ability of Revenue to deliver the Employer Health Tax. Staff cuts would, out of necessity, affect front-line activities of taxroll administration and audit since head office functions have already been reduced to the minimum. Reductions in front-line staff would, in turn, jeopardize delivery of the full stream of EHT tax revenue, estimated at \$2.1 billion annually.

Fewer auditors would mean lower audit coverage. As discussed earlier, the targeted coverage of 3.5 percent is already below the levels recommended by the Provincial Auditor and other tax jurisdictions. Reduced audit coverage would seriously affect the rate of voluntary compliance and reduced revenues (i.e., growing tax gap) could be expected to follow. Reduced taxroll administration staff would likewise translate into an inability to control and service the taxroll. Decisions regarding the overall EHT staffing plan should therefore be made with full regard to program delivery consequences.

IV. EHT DESIGN ALTERNATIVES

In support of the delivery requirements previously outlined, a number of design alternatives for the Employer Health Tax organization have been considered. Significant among these alternatives are the following:

- A. Integration of EHT Audit/Collections/Compliance Function With Existing Tax Administrations
- B. Use of Federal Audit Data to Satisfy EHT Audit Needs
- C. Centralized Versus Regional Structure
- D. Integration of EHT With Existing Tax Branch(es)
- E. Integration of EHT Regional Staff With Existing Regional Offices

The following sections of this report will review each of these alternatives from the standpoint of design feasibility, program efficiency and overall effectiveness.

A. Integration of the EHT Audit/Compliance/Collection Functions

The integration of EHT audit, compliance and collection activity with that of other tax administrations has been raised as a possible means of improving operating efficiencies. This design scenario has also been cited as a potentially significant step towards the provision of one-stop taxpayer service by reducing the multiple government interfaces with the taxpayer.

The prospect of functionalizing these activities across tax statute areas has been examined and is found to be neither practical nor, in the case of audit, desirable. This conclusion stems from the observation that:

1. audit candidates vary between tax programs,
2. limited opportunity exists for integrated field audit coverage,
3. the benefits of one-stop service are not promoted by one-stop audit,
4. the existing information systems cannot support integrated collections and compliance across statute areas, and
5. compliance activities are largely determined by the characteristics of the legislation.

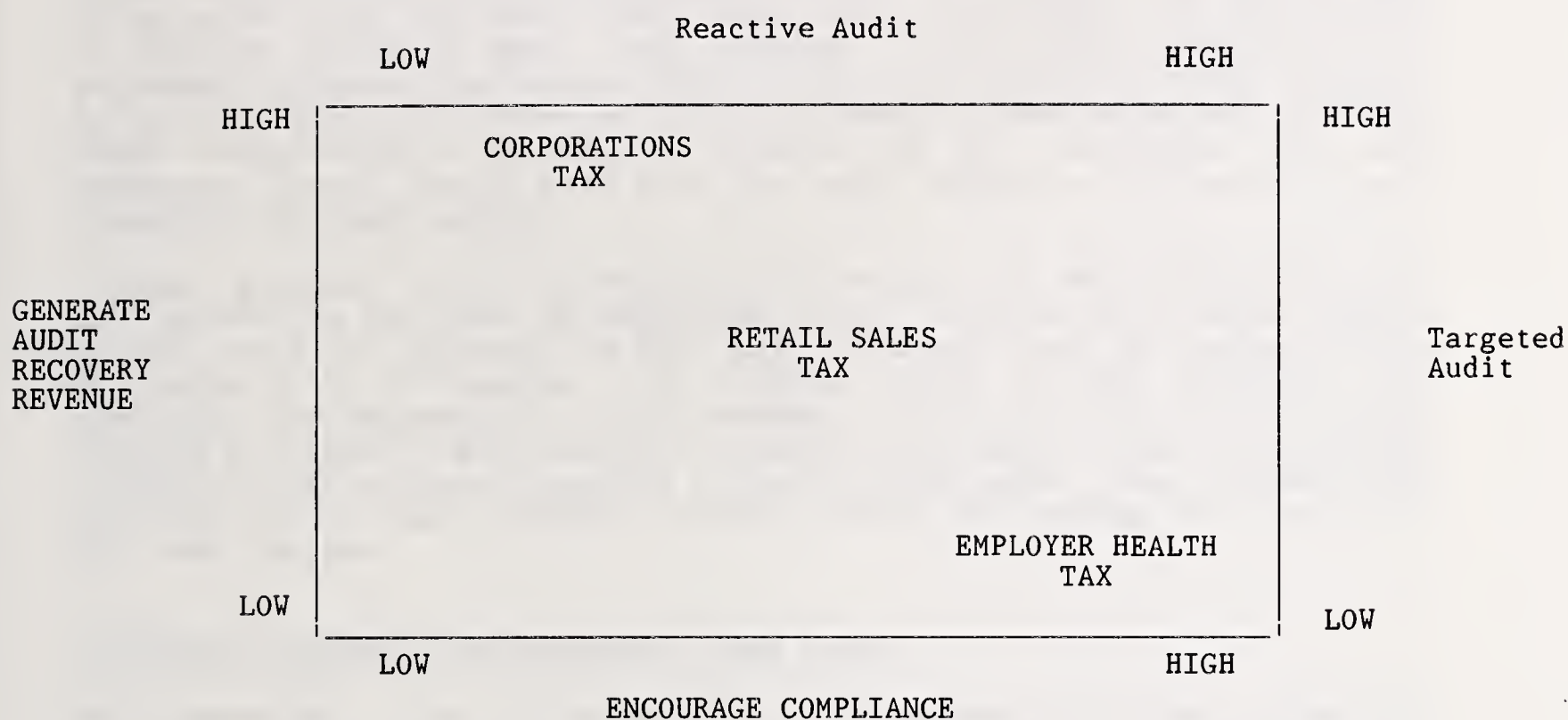
1. Audit Candidates Vary Between Tax Programs

Tax audits can be performed to achieve two objectives: (1) to encourage compliance and (2) to generate audit recovery revenue. It is also a fact that the relative significance of one or the other objective depends upon the particular tax administration involved. The diagram on the following page illustrates how these objectives vary between Corporations Tax (CIT), Retail Sales Tax (RST) and Employer Health Tax (EHT) audit.

The Audit Objectives Map indicates that CIT audits are more closely tied to audit recovery revenues than either of RST or EHT audits. It also suggests that the primary purpose of EHT audits is focused more on compliance effects than either of CIT or RST audits. These observations for CIT and RST are borne out in the historical audit recovery and coverage data for Corporations Tax Branch and Retail Sales Tax Branch. Here we see a much higher correlation between audit recoveries (dependent variable) and audit coverage (independent variable) in Corporations Tax Branch ($R^2 = 0.8$) than in Retail Sales Tax Branch ($R^2 = 0.2$). A higher correlation in the case of CIT means that a much larger proportion of the variation in audit recoveries is explained by variation in audit coverage. In other words, the generation of audit recovery revenue plays a greater role in CIT audit than in RST audit.

While it may be true that a large portion of the EHT taxroll is also on the CIT or RST taxroll, it does not necessarily follow that taxpayers selected for audit would be common to any two tax areas. In fact, given the different audit objectives of each of these three tax administrations, it is unlikely that there would be a significant number of common audit candidates. Therefore, in selecting taxpayers for audit, the relative importance of the two objectives becomes a major determinant.

Audit Objectives Map



Correlation Between Audit Recoveries and Audit Coverage

Corporations Tax		
	Audit Recoveries (\$M)	Coverage (%)
1983/84	54.3	1.0
1984/85	75.6	0.8
1985/86	112.7	1.6
1986/87	122.7	1.8
1987/88	165.0	3.2
1988/89	187.5	2.5

Retail Sales Tax		
	Audit Recoveries (\$M)	Coverage (%)
1983/84	29.0	1.6
1984/85	35.6	2.5
1985/86	55.3	2.4
1986/87	64.6	2.7
1987/88	62.6	2.5
1988/89	62.8	1.9

Regression Output:	
Constant	27.8
Std Err of Y Est	24.4
R Squared	0.8
No. of Observations	6.0
Degrees of Freedom	4.0
X Coefficient(s)	50.6
Std Err of Coef.	12.0

Regression Output:	
Constant	11.3
Std Err of Y Est	15.1
R Squared	0.2
No. of Observations	6.0
Degrees of Freedom	4.0
X Coefficient(s)	17.8
Std Err of Coef.	16.0

This means that piggy-backing EHT audit onto existing audit activity would very likely prove to be counter-productive. Corporations Tax auditors could include an EHT audit as part of their standard audit. However, as discussed earlier, CIT target audits are primarily concentrated on large corporations with the intention of maximizing audit recoveries. EHT audits, on the other hand, are not expected to generate significant direct audit revenues. Their primary objective is to encourage compliance (i.e., secure indirect revenues) and promote taxpayer equity. As such, the likely candidates for EHT audit would be small employers. CIT-EHT audits would therefore do little to address the EHT compliance issue and, additionally, would detract from time that would otherwise be spent on more productive CIT audit activity.

A better prospect for EHT combined audit resides with RST rather than CIT. This reflects the fact that the objectives of EHT audit are more closely aligned to RST audits and therefore the RST audit candidates have the greater chance of overlap with EHT audits. The business design of EHT recognizes this opportunity and assumes that approximately 4,750 EHT audits (1% coverage) could be performed by RST auditors - a generous assumption given the fact that, in 1988/89, RST auditors conducted a total of 5,558 audits. The remaining 2.5% coverage can be most efficiently provided through the creation of a dedicated EHT audit function.

2. Limited Opportunity For Integrated Field Audit

The complexities of the Corporations Tax Act including deductions, allowances, exemptions, and definitions, produce tax returns which contain an abundance of information reflecting the taxpayer's interpretation of the Corporations Tax Act. Consequently, CIT tax returns provide a significant opportunity for testing compliance with the Act to ensure that the amount of tax owing has been remitted.

CIT desk auditors, for example, review copies of all federal and other provincial Notices of Reassessment received by Corporations Tax Branch for potential Ontario reassessment; review returns where there are losses in the current year which are applied to reduce taxes previously paid; and review other adjustments requested by taxpayers. In addition, discretionary desk audits are carried out on selected candidates where audit parameters suggest non-compliance.

Consequently, the vast majority of audit activity in Corporations Tax Branch is a desk audit function. Of 11,947 audits performed in 1987/88 only 772 were field audits. In 1988/89, 673 of 10,532 audits were conducted in the field. The planned number of field audits for 1989/90 is 750.

Employer Health Tax is not complicated by deductions, allowances and exemptions as there are in the Corporations Tax Act. As a result, there is limited opportunity for misinterpretation beyond the calculation of total Ontario remuneration paid. In order to audit the calculation of taxable remuneration it is necessary to examine payroll and other business records of the employer and this requires a field audit. Therefore, opportunities for integration with CIT audit only exist only where field audits are involved. Given the low levels of CIT field audit activity, even if it were practical to integrate CIT and EHT audits, the resulting EHT coverage would be marginal (i.e., 0.16%).

3. One-Stop Audit Could Impede EHT Compliance Efforts

It is generally agreed that the Ministry of Revenue should strive to present a fully co-ordinated service to the taxpayer in order to promote confidence in the system and minimize taxpayer frustration. Steps are being taken to identify ways in which the ministry can improve in this area through an integrated business and information planning process termed ESPRIT '97. It is believed that this one-stop service is closely aligned with one-stop provision of information and co-ordination of follow-up activity.

In the meantime, the design of EHT has taken this into account through the creation of the taxroll administrator function. The position of taxroll administrator has been created to provide the full range of advisory and compliance services to the taxpayer from a single contact point. These services include responding to telephone or personal visit enquiries regarding EHT, responding to account-specific enquiries, accessing the EHT database to verify taxpayer records and information, updating EHT database records by inputting information from taxpayers in order to maintain data integrity, and extracting taxpayer information from the database to provide verbal, or written replies, as required. In addition, the taxroll administrators will liaise with audit and collections staff as necessary.

The next step in improving one-stop service will involve an expansion of the range of information and activity co-ordination across a broader sweep of the Ministry's operational areas. For example, a taxpayer should ideally be able to obtain information regarding all relevant tax matters (e.g., CIT, RST, EHT) through a single contact with the Ministry of Revenue. The establishment of Revenue Information Centres has begun this expansion at the level of generic information distribution. The next step will be to take one-stop service to the level of account-specific information. It is in this area that the ESPRIT '97 initiative is expected to provide direction.

The notion of one-stop auditing is not necessarily consonant with the concept of improved taxpayer service through a reduction in government contact points. Taxpayers who are having difficulty interpreting EHT legislation will be less inclined to request assistance when the responding EHT auditor also happens to be a CIT auditor, and an RST auditor. As discussed earlier, EHT audits are expected to be largely reactive in nature, very often initiated by the client himself. One-stop audit would very likely discourage voluntary audit assistance and this, in turn, would negatively impact EHT administration.

4. Information Systems Cannot Support Integrated Collections and Compliance

Collections and compliance activities are initiated primarily in response to information obtained in relation to a particular taxpayer or group of taxpayers. Consequently, in order to functionalize either of these activities across tax administrations it would be necessary to have access to information on the taxpayers in the various tax statute areas.

Currently, the Ministry of Revenue's information systems are very much compartmentalized and not amenable to sharing of information between databases. In the Ministry's information technology strategic plan, which is to be submitted to Management Board by October 15, the concept of the "customer information file" will be identified as an objective of Revenue's information systems.

Until such time as information systems integration has taken place, it is not practical to pursue integrated tax collections and compliance. The design of the EHT information system has, however, recognized the strategic objective of an enterprise database and has therefore selected information, systems and technology architectures accordingly.

5. Compliance Activities are a Function of the Legislation

In the administration of a tax statute, the choice of the appropriate compliance activities is dependent on variables which are determined by the statute. These variables include the size of the taxroll, the characteristics of the taxroll, the frequency of tax remittance, the rate of tax, the variable application of the tax, and the complexity of the tax.

Recognizing that EHT is a unique tax with its own requirements, characteristics and complexities it must also be recognized that EHT compliance activities must be designed and established which are appropriate for its particular circumstance. In the Retail Sales Tax Branch, for example, there is a section which monitors private transfers of automobiles to ensure that the appropriate amount of RST has been paid on the transaction. Clearly this is a compliance activity specifically designed for that tax statute. EHT compliance, on the other hand, would focus on payroll and income tax related issues such as ensuring that all deemed remuneration is being included in the taxable amount of gross wages and salaries. Opportunities for integrating these activities are not practical.

Since compliance activities need to be statute-specific, if they are to be effective, there is limited scope for functionalizing activity along these lines.

B. Use of Federal Audit Data to Satisfy EHT Audit Needs

The prospect for reliance upon Revenue Canada audit activity has also been considered. Because federal and Ontario corporations income tax legislation is largely compatible, the Corporations Tax Branch does rely to some extent on Revenue Canada's audits. However, certain aspects of the provincial legislation, such as tax on capital and provincial allocations of income, are not covered by Revenue Canada audits. Furthermore, federal audit coverage in Ontario has been declining in recent years and so, therefore, the importance of Corporations Tax Branch field audit has grown. CIT field audit attempts to not duplicate audits which are performed by the federal government except where a large liability is suspected in those areas which the federal audit does not cover. CIT field audits are mainly conducted on aspects of the Corporations Tax Act (Ontario) which differ from the Income Tax Act (Canada) and in areas where Revenue Canada auditors do not usually concentrate.

For similar reasons EHT requires its own dedicated audit function. Revenue Canada does conduct employer audits with respect to source deduction of personal income tax, C.P.P. and U.I. contributions. Depending upon Revenue Canada cooperation and the level of information available, it may be possible to use Revenue Canada audit results to select candidates for EHT audit. A separate EHT audit function would still be required to deal with unique areas of legislation and to deal with the issue of allocation. For example, unique aspects of legislation include exemptions and exceptions to the definition of employer and

employee introduced by Revenue Canada to facilitate collection of C.P.P. and U.I. contributions. The allocation issue involves the identification of total Ontario remuneration and this would not be available from federal audit data. In addition, the selection criteria for federal audits are driven by considerations relating to collection of income tax, C.P.P. and U.I. and are therefore different from EHT audit selection criteria.

C. Centralized Versus Regionalized Structure

In the area of EHT location and distribution, two organization design options have been considered.

1. Regionalized - Consists of a head office and six regional offices strategically located across the province. The head office performs administration functions as well as high-volume automated processing. Front-line functions which involve direct client contacts such as taxroll maintenance, compliance, audit and collection are based in the regions.
2. Centralized - The Employer Health Tax is administered in one central location. All business functions are performed by staff located in the head office.

The business considerations for selecting the most appropriate organizational design are discussed below:

Operating Cost Considerations

Facilities costs are assumed to be comparable in each design alternative. Given that essentially the same number of staff would be required in each case, there would also be comparable rent, leasehold improvement, furniture and telephone expenses. If anything, the centralized organization would involve higher overall rental costs since it would (in all likelihood) be situated in the Greater Toronto Area.

Travel costs for EHT compliance staff and auditors represent a significant operating expenditure which varies between the two alternatives. The amount of compliance and audit travel required is directly related to the number of staff needed to achieve a certain level of compliance. As the requirement for travel is decreased, productivity is increased, since the time which has been gained from reduced travel can be devoted to compliance and audit activities. An organization design that minimizes travel is therefore desirable.

An analysis of travel time (based on EHT taxpayer distribution as indicated by the distribution of postal codes in the PAYDAC file) indicates that if all auditors were to operate out of a central location, the average travel time for a 5 hour EHT audit would be 3.2 hours versus 2.4 hours for a regional design. To make up for the lost time in travel, eight (8) additional auditors would have to be employed in order to achieve the same audit coverage.

Although a centralized organization would eliminate the need for six regional service managers, the addition of two Senior Managers Audit, two Group Managers of Audit, 8 auditors, a Manager and a Group Manager of Taxroll Administration would result in a net increase of 8 staff. (See Alternate Organization Design)

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Regional Design Staffing Requirements	203
Impact of Centralization:	
Regional Service Managers	-6
Senior Manager Audit	+2
Group Manager Audit (due to additional auditors)	+2
Auditors (due to increased travel)	+8
Manager Taxroll Administration	<u>+2</u>
net impact	+8
Centralized Design Staffing Requirements	211

The Senior Managers of Audit are required in the centralized organization to provide overall guidance and set audit policy direction. This would otherwise have come by way of the Regional Service Manager. The numbers of Audit Group Managers reflect a 1:11 span of control and this is consistent with the Provincial Auditor's comments in the 1986 Report addressing the need for better supervision and control of field audit staff. The Taxroll Manager would be a new requirement and would serve a comparable role to that of the Senior Manager of Audit, providing overall guidance and direction in the area of taxroll administration. One additional Group Manager Taxroll Administration would also be needed in the centralized design in order to provide supervision of the Collections Specialists who would otherwise be reporting to the Regional Service Manager. The span of control for Group Managers of Taxroll Administration would then be 1:12 EHT staff or 1 Group Manager for 67,850 EHT clients.

A centralized design, which satisfies the same delivery requirements, would result in higher on-going salary, benefits and travel costs.

Advantages of a Regional Presence

1. Visibility and Compliance

The establishment of an EHT regional office would enhance the visibility of the new tax in the surrounding communities and would, in turn, encourage compliance. Knowledge of the local community is invaluable in tax administration, particularly in initiating "trouble" audits, identifying non-filers and collecting risky receivables as early as possible.

2. Availability of Walk-in Services

A regional design with offices located in the proximity of client concentrations not only makes it easier for EHT auditors to contact the client, but also for the clients to contact EHT.

Experience in Retail Sales Tax Branch shows that large number of small vendors prefer to do business in person and utilize our walk-in services. Small EHT clients are expected to behave similarly.

If EHT were centralized (in Oshawa), only clients in GTA East would have easy access to the walk-in service.

3. Difficulty in Recruitment in GTA.

The low unemployment rate together with the generally competitive job market in the Greater Toronto Area means that it is often easier to recruit in other parts of the province.

4. Career Opportunities for Regional Staff

In the interests of career planning and development, a full function office provides a wider career scope for regional staff who would prefer not to relocate for career advancement. Certainly the benefits of job enrichment and worker satisfaction vis a vis job performance cannot be underestimated.

In summary then, a regionalized organizational structure is recommended in an attempt to minimize operating costs and maximize program delivery efficiencies.

Alternative Organization Designs

	Centralized	Regionalized	Class.
Director - Employer Health Tax	1	1	ECP3
Sr. Mgr - Legislation	1	1	AM21
Sector Specialists	4	4	AM20
Interpretation Specialists	2	2	AM19
	-----	-----	
Legislation	7	7	
Mgr - Secretariat	1	1	AM20
Program Analysts	2	2	AM19
Network Administrators	1	1	AM19
LAN Support Analysts	1	1	S01
Financial Officers	2	2	F01
Administrative Clerks	2	2	OAG8
	-----	-----	
Secretariat	9	9	
Mgr - Process Control	1	1	AM20
Process Controllers	2	2	AM18
Information Specialists	1	1	AM18
Production Control Officers	2	2	S01
Accounting Clerks	2	2	OAG12
Supplies Clerk	1	1	OAG8
	-----	-----	
Process Control	9	9	
Regional Service Manager	0	6	
Sr. Mgr - Audit	2	0	AM21
Administrative Clerks	3	3	OAG8
Group Managers - Audit	7	5	AM20
Sr. Auditors	11	11	F04
Auditors	55	47	F02
Audit Assistants	12	12	OAG12
	-----	-----	
Audit	90	78	
Mgr - Tax Roll	1	0	AM20
Administrative Clerks	3	3	OAG8
Group Mgr - Tax roll	7	6	AM18
Collections Specialists	10	10	OAG11
Tax Roll Administrators	74	74	OAG10
	-----	-----	
Tax Roll	95	93	
	211	203	
	=====	=====	

	Centralized	Regionalized
Span of Control at Senior Level	5	4
Management Depth	3	3
No. of Field Auditors	66	58
Audit coverage (dedicated EHT resources)	2.5%	2.5%
No. of Taxroll Administrators	74	74
Service Level (# of Accounts per T.R. Administrator)	6419	6419
No. of staff:		
Head Office	26	26
Front-line	185	177
	-----	-----
Total	211	203

Comparison of Organization Design

Centralized versus Regionalized

	Centralized	Regionalized
Accessibility	poor for clients in outlying regions	good geographic coverage, when regional offices are strategically located across the province
Visibility	poor from regional perspective	good, will encourage compliance
Audit Travel	more	less
Auditor productivity	8 additional auditors to make up for increased travel	Higher, due to reduced travel requirement
# Staff at maturity	211	203
Space Requirement	additional space for centralized EHT, or relocate some revenue operations to free up space in Michael Starr Building	set up and maintain 6 regional offices
Recruitment	difficult because of low unemployment in GTA	less difficult

D. Integration of EHT With Existing Tax Branch(es)

The option of integrating the EHT activity within an existing tax branch has also been considered. This design alternative has been examined from the perspective of organizational feasibility and administrative efficiency. The existing tax branches and the proposed EHT organization display the following characteristics:

	COMPLEMENT	SPAN OF CONTROL*	MANAGEMENT DEPTH
Corporations Tax Branch	451	5	5
Retail Sales Tax Branch	426	5	4
Motor Fuels & Tobacco Tax Branch	196	6	3
Employer Health Tax Branch	203	9	3

* at the senior level

Overlaying the EHT administration onto an existing tax branch would alter these characteristics as follows:

	COMPLEMENT	SPAN OF CONTROL*	MANAGEMENT DEPTH
Corporations Tax Branch	653	14	5
Retail Sales Tax Branch	629	14	4
Motor Fuels & Tobacco Tax Branch	399	15	3

* at the senior level

The resulting amalgamation would not be manageable. The EHT administration has been designed to minimize management layers so as to encourage communication and interaction throughout the organization. By restricting layers of bureaucracy, a flat organization is also better equipped to respond to the demands of the environment and service client needs. At the senior level, the span of control in the proposed EHT organization is 9. To expand this span of control to 14 or 15 by amalgamation with another tax branch would create an unmanageable entity. For this reason, integration with an existing tax branch is not a practical alternative.

E. Integration of EHT Regional Staff With Existing Regional Offices

Accepting that a regional EHT presence promotes the effectiveness of program delivery, the next step is to determine the most efficient means of establishing this presence. An analysis of the postal codes of potential EHT taxpayers was conducted using the PAYDAC database extract provided by Revenue Canada. This analysis identified the potential distribution of EHT taxpayers across the province. Prospective regional EHT offices were then identified in order to satisfy the twin objectives of serving the taxpayer and the program efficiently.

By locating in areas of greatest taxpayer concentration, the majority of EHT clients will have easy access to information, assistance and advice. In regard to operating costs, auditor productivity will be enhanced through regionalization since there is reduced travel time. In addition, accommodation lease costs will be lower since rental costs are generally lower outside the Greater Toronto Area. Of course, as discussed earlier, this latter assumption is based on the observation that there would be minimal opportunity for staff reduction, hence incremental space requirements remain the same, under a centralized structure.

It is recognized that the Ministry of Revenue should, where practical and to the extent possible, integrate its regional offices so as to minimize the number of interfaces with our clients. This would not only promote improved customer service but also offer opportunities for operational economies. It is important to note however, that benefits from integrated customer service will only accrue where there is a perceived need for integration.

Taxpayers would obviously appreciate dealing with a minimum number of contact points when it is understood that the various points of interest fall within the single domain of Revenue. For example, integration of the various tax programs makes eminent good sense and can be viewed as highly desirable by the taxpayer who is seeking information on a number of tax issues. It is not so clear that taxpayers would expect, or even appreciate having, the ability to enquire about their property assessment, make a withdrawal from their Province of Ontario Savings Office account and remit Employer Health Tax all at the same location.

Similarly, any meaningful measure of operational economy through integration is only possible where opportunities for functional integration exist. Physical integration might be nice to have but if there is no perceived need on the part of the client and only limited opportunity for functional integration, rationalization of regional offices becomes superfluous.

The business justification for integration of EHT regional offices therefore only applies within the range of existing tax revenue program regional offices. This, in turn, means that in the establishment of EHT regional offices, attention should be given to consolidating regional tax branches where possible. Of course, the primary consideration in selecting EHT locations is the concentration of EHT taxpayers. Where overlap exists with Retail Sales Tax District Offices or Taxpayer Services Branch Revenue Information Centres efforts will be made to integrate with the EHT office. It is a fact worth noting that near term integration is most easily accomplished where the existing operation is relatively small (e.g., Thunder Bay). Integration of relatively large offices will require much more logistical support (e.g., coordination of leases, moving, leasehold improvements, etc.).

MINISTRY OF REVENUE REGIONAL OFFICES

Location	Retail Sales Tax Offices	Revenue Info. Centres	Assessment Offices	POSO Branches	Mature EHT Regional Offices

1 Aylmer				8	
2 Bancroft			3		
3 Barrie			53		

4 Belleville		3			
5 Bracebridge			28		
6 Brantford			43	12	33 D

7 Brockville			39		
8 Cambridge			59		
9 Chatham			39		

10 Cornwall			41		
11 Cobourg			9		
12 Dryden			8		

13 Etobicoke			61		
14 Fort Frances			8		
15 Goderich			35		

16 Guelph			41	7	
17 Hamilton	55		71	19 (2)	33 D
18 Kenora			8		33 E

19 Kingston			34		
20 Kirkland Lake			4		
21 Kitchener	9				

22 Lindsay			29		
23 Little Current			8		
24 London	22		86	6	33 B

25 Mississauga	34		137		33 F
26 Newmarket			62		
27 North Bay	14		37		

28 Orillia		3			
29 Oshawa	72				33 A
30 Ottawa	29		94	9	28 C

31 Owen Sound			43	6	
32 Parry Sound			10		
33 Pembroke			35	8	

MINISTRY OF REVENUE REGIONAL OFFICES (cont'd)

Location	Retail Sales Tax Offices	Revenue Info. Centres	Assessment Offices	POSO Branches	Mature EHT Regional Offices	-
34 Peterborough			31			
35 Sarnia			13			
36 Sault Ste. Marie			42		33	E
37 Seaforth				5		
38 St. Catharines			67	7		
39 St. Mary's				6		
40 Sudbury		2	49			
41 Thornhill			74			
42 Thunder Bay		4	47		33	E
43 Timmins			36			
44 Toronto	110		188 (2)	63 (6)		
45 Trenton			43			
46 Walkerton				6		
47 Whitby			58			
48 Windsor		2	59	7	33	B
49 Woodstock				5		
TOTALS	=====	=====	=====	=====	=====	
	345	14	1832	174	177	

NOTES:

- Figures indicate the number of staff at each location.
- Bracketed figures indicate the number of offices at a particular location.
- The location of EHT regional offices has not yet been specified.
The following summarizes the preferred areas for EHT regional offices.
 A = GTA East
 B = Windsor-London
 C = Ottawa
 D = Hamilton-Niagara
 E = Kenora-Thunder Bay-Sault Ste. Marie
 F = GTA West
- Ministry of Revenue Information Centres have been integrated with Property Assessment Regional Offices in Windsor and Sudbury. Future plans include integration of the Thunder Bay offices and moving the Orillia RIC office to Barrie to enable integration there.

Efforts will be made to consolidate tax revenue regional offices as, and when, appropriate. In establishing a regional EHT office in a location that already has a tax revenue district office, the Ministry will attempt to negotiate lease terms such that the expiry date will be coterminous with the existing lease agreements. In this way it will be possible to consolidate operations at the end of both lease agreements. The following summary indicates where potential overlap exists and cites the term of existing lease agreements.

<u>Location</u>	<u>Term of Lease</u>
London	5 Year Lease 06/01/87 - 05/31/91
Mississauga	5 Year Lease 10/01/87 - 09/30/92
Ottawa	5 Year Lease 05/01/89 - 04/30/94
Hamilton	Ontario Government Building *
Thunder Bay	Ontario Government Building *
Windsor	Ontario Government Building *

* Note: No additional space is available in these buildings.

It should be noted that, whether or not EHT regional offices are integrated with existing tax offices, the regional facilities costs (described in section V.) are a reasonable estimate of the incremental cost of establishing a regional EHT presence, excluding the cost of relocating existing staff. The space costs vary in direct proportion to the numbers of staff involved and no quantity discount for leased space should be expected. Because the EHT organization is a flat and lean structure and because of the current inability to functionalize audit, compliance and collections activity (see section A.), staff reductions will not result from integration. Integration of regional tax offices will, however, promote improved customer service through a reduction in Revenue contact points.

Relocation of both the Tax Appeals Branch and Retail Sales Tax Branch Durham Field Office continues to be an integral part of the EHT organization design strategy. Appendix D, FACILITIES REQUIREMENTS, in the document 'EMPLOYER HEALTH TAX IMPLEMENTATION STRATEGY', which accompanied MB 89-009 provides detail concerning these relocations.

V. IMPLEMENTATION PLAN

In recognition of the Government's current expenditure management philosophy and the imperative for fiscal restraint, the Employer Health Tax administration has been designed with a bare minimum of staff required to satisfy the basic program deliverables. Staffing levels in administration and support functions have been significantly restricted in keeping with the Ministry's objective of redeploying resources to the "front-lines". Staffing levels in taxroll administration and audit have likewise been restricted to accommodate, what are currently projected as, basic delivery levels. At some point it may be determined that the quality of taxpayer service or audit coverage levels, for example, are insufficient for effective program delivery and additional staff may be required.

In order to manage a large taxroll with limited human resources, the greatest possible technology leverage must be achieved. This leverage must be applied not only to the collection of taxpayer information (e.g., Electronic Data Interchange/Electronic Funds Transfer or EDI/EFT) and the processing of tax returns to the Taxation Data Centre (TDC), but also to the retention of taxpayer information, to the ongoing evaluation of the stability of the taxroll in general and to the support of individual tax account actions in particular.

The business design therefore attempts to combine the strengths of a centralized information base with the organizational strengths of a decentralized EHT presence. In this way a 'compound strength' can be developed that is greater than a totally centralized or decentralized operation.

The Ministry of Revenue is proposing a phased implementation of a regional EHT organization. The start-up of the organization is to be located in the Michael Starr Building to facilitate the extensive interaction required with other Ministry staff during the creation of the taxroll. This will also enable the utilization of the existing infrastructure for ongoing operations.

EHT will centrally process all information received as speedily as possible without the significant evaluation of its quality or completeness: EHT will employ application based edit processes to evaluate and report the accuracy and completeness of information provided to regional EHT centres for taxpayer support or compliance action. Longer term plans include provision for the EHT application to develop customer service, compliance and audit action plans to assist in the stabilization of the taxroll. Such action plans will also optimize the EHT cash flow to the Province.

EHT must be geared to maintaining control of the taxroll and limiting tax avoidance wherever possible. EHT will not be a popular tax in the business community and if the Ministry loses control of this tax base it will be difficult to recover. Visibility with the taxpayer through a regional presence and accessibility will be essential.

EHT will be structured to provide for the clearest possible lines of communication through the organization, and for the minimum depth of management structure. As an organization that has to develop an experience base, it is important that the organization be structured to encourage all staff members to contribute to process development and to benefit from the growth that takes place. Organization design therefore has to provide opportunities for continuous career development wherever possible. This is to be equally true for both head office and regional locations.

The overall organization depth of 4 levels is a design feature aimed at maximum responsiveness to environmental demands and client needs. Centralization of remittance handling will enhance operational efficiency for high volume processing while regional audit and taxroll administration will provide good taxpayer accessibility and visibility at low cost.

The proposed EHT organization includes 203 staff, 26 in head office functions and 177 in "front-line" activities. A comparison of these staffing levels with other tax branches indicates that the proposed EHT structure is lean, basic and concentrated on the "front-line" functions of audit and taxroll administration. The proposed EHT organization also compares very favourably with the staffing level of 487 in the OHIP Premium Program which EHT is effectively replacing.

In absolute terms, the EHT staffing requirement is less than half that of either Corporations Tax Branch or Retail Sales Tax Branch each of which have smaller taxrolls. With a taxroll almost 6 times larger than that of Motor Fuels and Tobacco Tax Branch, the staffing plan is just 32% larger. On a normalized basis, "front-line" EHT staff per 1,000 clients is less than one-third that of any of the three tax branches.

In part, the staffing differences between EHT and the other tax branches reflect the more complex legislation of CIT and RST. However, the EHT organization has also been intentionally left thin in line with the future Ministry direction to redeploy resources to the front-lines. This redeployment strategy is contingent upon a supporting information technology strategy. Until such time as the information architecture is in place, movement of staff to the front-lines will not take place in the established branches such as CIT and RST. By building redeployment into the initial EHT design, the success of the EHT administration is very closely linked to the timely development and implementation of appropriate information architecture.

In comparison to a payroll tax staffing requirement which was identified prior to the establishment of the Ministry's staff redeployment strategy, the current plan of 280 person-years represents a reduction of 44 percent. In 1981, the Ministry's Revenue and Operations Research Branch conducted an investigation into payroll tax administration and prepared a paper entitled, 'PAYROLL TAX FOR ONTARIO'. At that time, the administration of such a tax with a total roll of 480,000 was estimated to require a staff of 493. It was also estimated that it would take two years to implement the tax. The current proposal requests total staff of 280 at maturity and a five month implementation.

The EHT design calls for 3.5% audit coverage in the mature organization, 2.5% from dedicated EHT audit staff and 1.0% from integration with other Ministry audit activity. Assuming each field auditor can perform 200 audits per year, 2.5% coverage translates into 11,875 audits or approximately 58 auditors. This coverage objective is regarded as minimal given the advice of other jurisdictions (Federal and Manitoba Governments) with PIT/payroll tax experience who recommend a minimum audit coverage of 5.0% to maintain effective control of the taxroll.

Comparison Between Employer Health Tax Organization and Other Tax Branches

	EHT	CIT	RST	MFTT
Administration/Support	17	35	24	20
Legislation	7	18	22	8
Planning	2	24	14	5
Subtotal Head Office	26	77	60	33
Audit	81	208	193	63
Compliance, Account Maintenance & Enquiry	96	154	173	58
Subtotal Front-line	177	362	366	121
TOTAL	203	439	426	154
		**		***
Active Taxroll	475,000	185,600	297,600	80,128
		*		
Front-line Staff per 1,000 Clients	0.4	2.0	1.2	1.5

Notes: * CIT taxroll excludes 230,000 exempt corporations

** CIT staff distribution excludes 12 staff from Mining Tax

*** MFTT staff distribution excludes SBDC and ESOP staff

Comparison Between Mature Employer Health Tax Organization and 1987/88 OHIP Premium Program

Staffing:

	OHIP	EHT*	DIFFERENCE
Revenue Processing	118	41	(77)
Assistance Processing	28	5	(23)
Monitoring & Control	33	107	74
Public Relations & Inquiry	175	99	(76)
Policy/Program Development	28	7	(21)
Administration	105	21	(84)
TOTAL	<u>487</u>	<u>280</u>	<u>(207)</u>

* Note: includes staff impacts in other branches as well

Revenues & Expenditures:

	OHIP	EHT	DIFFERENCE
Revenues (\$M)	1,700.0	2,114.0	414.0
Expenditures (\$M)	19.8	16.5	(3.3)
Cost to Collect Tax (\$ per \$100 collected)	1.16	0.78	(0.38)

Taxroll administration has been designed so as to provide a service ratio of 1:6,400, i.e., one EHT representative for 6,400 taxpayers. To put this service ratio in perspective consider the following. Assume that over the course of a year, 25% of EHT clients require extended service/compliance actions amounting to 45 minutes of the representative's time. The resulting service time per representative is 1,200 hours per year. This leaves approximately 5 minutes total annual service time for each of the remaining taxpayers (i.e., 365,250 clients). Taxroll administrators will, however, have additional duties to perform beyond direct taxpayer service and compliance such as surveillance monitoring, tax administration research, management reporting, and communications design. Therefore taxroll administrators will be under considerable pressure to deliver adequate taxpayer service with the proposed staffing level.

Following is brief summary of the positions in the proposed EHT organization. In reviewing these descriptions it should become apparent that the proposed design is essentially a flat organization, emphasizing individual responsibility in administering a large tax roll.

HEAD OFFICE

Director and Managers

Set strategic direction.

Set limits of problem resolution, hence staff is responsible for problem solutions and processing of tax.

Most people will be self-managing, even the clerical staff in each office.

Secretariat

The Head Office secretariat is also responsible for providing support to and for the design of the regional offices.

- Program Analyst
 - Forecast and manage expenditures and revenue.
 - Interact with regional groups and with the sector specialists.
 - Special projects, e.g. sensitivity analysis for projected changes in tax rate, shifts in established action plans
 - EHT business planning.
- Network Administrator
 - Design and future direction of the seven LANs, their connectivity with each other and with the RCC mainframe.
 - Ongoing staff training and development in the use of technology
- LAN Support
 - Operation of Head Office LAN and guidance and advice to local administrators in the field.
- Resource Officer
 - Program and branch required human and financial resource projections and reports based on near term operational requirements.

- Facilities Officer
Manage leasing, facilities improvements, furniture, telephone and LAN/mainframe connections, temporary storage facilities, just-in-time deliveries, vehicle leases.

Process Control

The primary interface with the Taxation Data Centre, which in turn is responsible for electronic capture of EHT data. EHT is responsible for scheduling and updating all databases.

- Process Controller
Identify ongoing business needs for systems development purposes.
Investigate production system problems and liaise with Revenue Computing Centre and Taxation Data Centre.
Prepare and maintain process and user documentation.
Provide user training.
- Information Specialist
Download mainframe information to LAN for ad hoc reports and respond to special queries for policy direction.
Future process design and prototyping.
A contributor to MIS and EIS requirements.
- Production Control Officer
Schedule daily system operations.
Maintain data base, system tables, security.
Testing of updates to the system.
Operate information desk and hot line.
Quality assurance and performance tuning responsibility.
- Account Clerk
Maintain branch General Ledger.
Reconcile revenue process with Treasury accounts.
Care and maintenance of security instruments from taxpayers.
Correcting or removing errors from EHT files.
- Supplies Clerk
Branch and production forms control.
Coordinate artwork, ordering, delivery and storage of stock, publications and envelopes.
Update and circulate documentation: audit, supply, compliance, systems, etc.

Legislation

- Sector Specialist
Work on an industry or sector base to understand the EHT implications of diverse ways of doing business and EHT vulnerabilities in:
Construction
Service
Retail/Tourism
Manufacturing

They bring in the industry view and the regional managers bring in the capacity view for the development of action plans. The specialists have input into the design of the compliance and audit processes.
(This is an "account manager" concept - to coordinate internal and external relationships.)

- Interpretation Specialist

Concerned with the key issues in the administration of the Act. Resolve such questions as exemptions and payroll inclusions/exclusions, identifying employee/employer relationships, deemed remuneration, permanent establishments within and outside Ontario, etc.

Support Treasury in future tax policy design work (the Act may eventually embrace the self-employed or establish a floor or ceiling for tax liability, etc.)

REGIONAL OFFICES

Regional Service Manager

Works with Head Office staff in developing Action Plan.

Audit Manager

Manages relationships, within the context of the Action Plan, between 'trouble' audits and 'planned' audits.

Responsible for training and ongoing management of the audit function.

Senior Auditor/ Auditor

Two levels of auditor, determined by the complexity of the audits performed. (There is no supervisory relationship.)

Audit Assistants

Data collection to determine where audits are indicated and to provide primary information to the auditor. (This is a bridging position which will provide for career development of collections staff and taxroll administrators.)

Taxroll Manager Taxroll Administrators

Primary responsibility for managing the taxpayer relationship with respect to accuracy of information and comprehension.

Keep in touch with taxpayers and provide advice and reminders when

appropriate, e.g. making sure they do not get too far behind when they are in a default position.

Collections Specialist

Deal with delinquent accounts, and with supplementary returns from people going out of business and others who may be leaving our jurisdiction.

Administrative Clerk

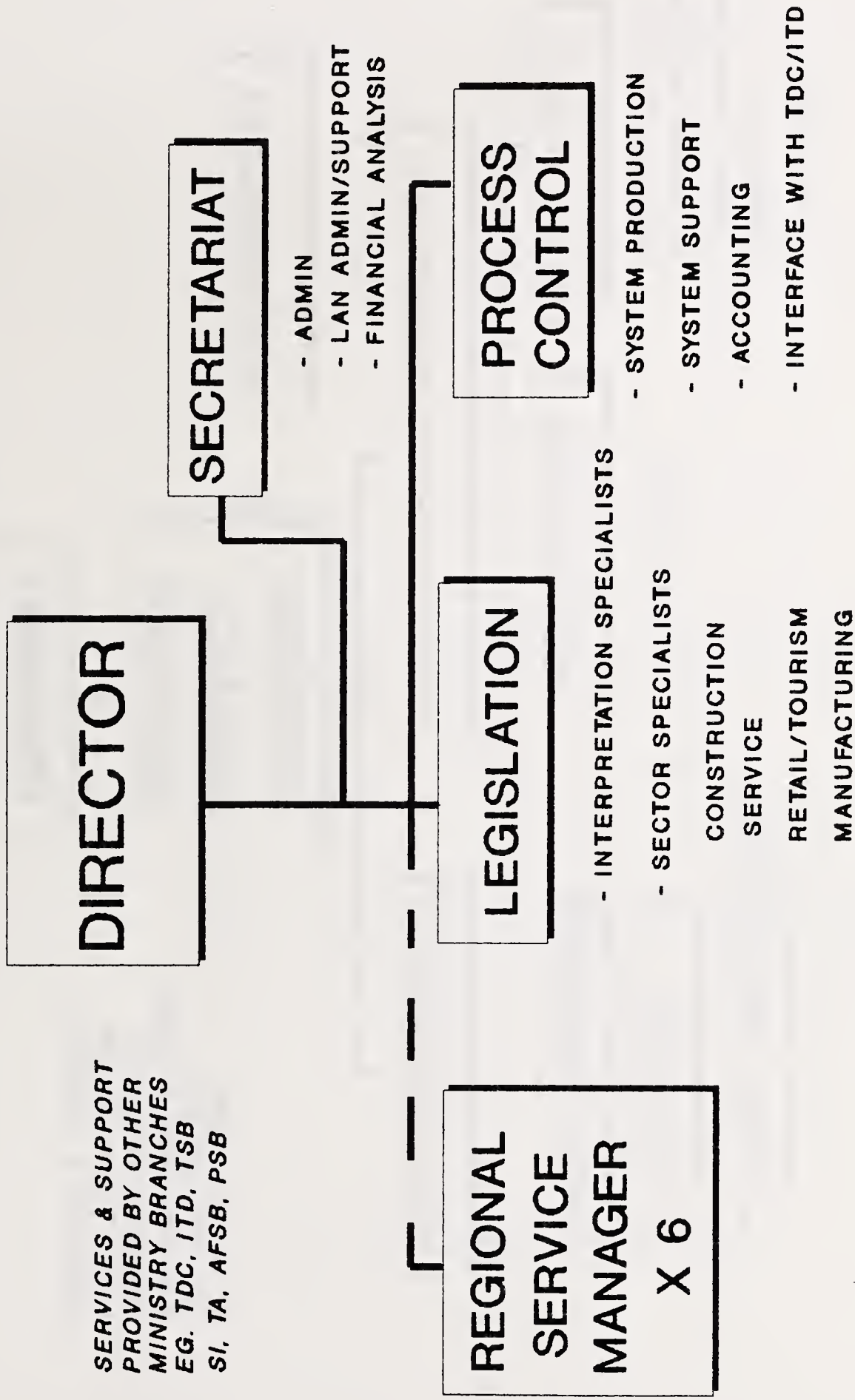
Administrative support to the managers and staff, e.g. managing the LAN, local forms and supplies, telephone back-up.

The implementation plan of the Employer Health Tax administration calls for the establishment of the full regional structure by the end of 1990/91. While this remains part of the basic strategy, this time frame may prove to be overly-ambitious. It is, nevertheless, an essential element of the Ministry's implementation strategy. The establishment of the full EHT organization could, therefore, require an additional fiscal year for completion.

The tables on the following pages outline the resource requirements for those items which were deferred from the initial submission. Since the overall implementation plan remains unchanged, more detailed descriptions of these resource needs may be found in the Employer Health Tax Implementation Strategy which accompanied submission MB 89-009.

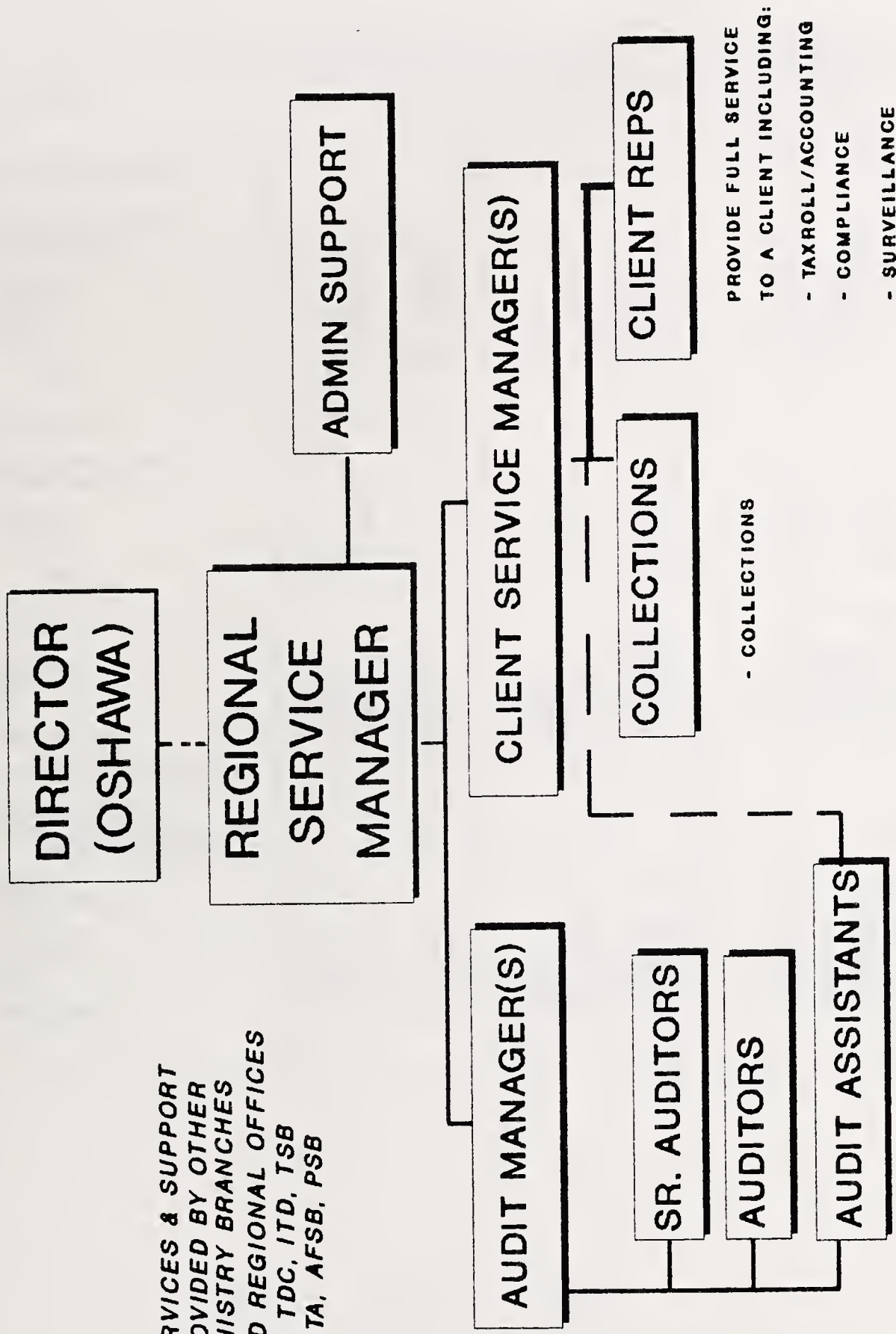
OSHAWA HEAD OFFICE

SERVICES & SUPPORT
PROVIDED BY OTHER
MINISTRY BRANCHES
EG. TDC, ITD, TSB
SI, TA, AFSB, PSB



REGIONAL OFFICE

SERVICES & SUPPORT
PROVIDED BY OTHER
MINISTRY BRANCHES
AND REGIONAL OFFICES
EG. TDC, ITD, TSB
SI, TA, AFSB, PSB



SUMMARY OF EHT RESOURCE REQUIREMENTS

Cost Category	-- 89/90 PLAN -- one-time on-going		-- 90/91 FCST -- one-time on-going		-- 91/92 FCST -- one-time on-going		3 YEAR TOTAL
EHT Branch Setup Costs:	456.0	0.0	1,167.0	0.0	0.0	0.0	1,623.0
EHT Branch Operations:							
Person-Years	0.0	25.4	0.0	144.1	0.0	203.0	372.5
Salaries	0.0	986.4	0.0	5,429.0	0.0	7,634.5	14,049.9
Benefits	0.0	148.0	0.0	814.3	0.0	1,145.0	2,107.3
Other DOE	100.0	878.6	500.0	3,000.3	0.0	3,469.1	7,948.0
Space	0.0	0.0	1,799.3	571.4	0.0	871.6	3,242.3
Total	100.0	2,013.0	2,299.3	9,815.0	0.0	13,120.2	27,347.5
Facilities Costs	1,476.0	292.0	0.0	584.0	0.0	584.0	2,936.0
Integrated Audit Costs:							
Person-Years	0.0	0.0	0.0	5.0	0.0	10.0	15.0
Salaries	0.0	0.0	0.0	194.5	0.0	389.0	583.5
Benefits	0.0	0.0	0.0	29.2	0.0	58.4	87.6
Total	0.0	0.0	0.0	223.7	0.0	447.4	671.1
TOTALS:							
Person-Years	0.0	25.4	0.0	149.1	0.0	213.0	387.5
Salaries	0.0	986.4	0.0	5,623.5	0.0	8,023.5	14,633.4
Benefits	0.0	148.0	0.0	843.5	0.0	1,203.4	2,194.9
DOE	2,032.0	1,170.6	3,466.3	4,155.7	0.0	4,924.7	15,749.3
TOTAL COSTS	2,032.0	2,305.0	3,466.3	10,622.7	0.0	14,151.6	32,577.6
less previous approvals:							
EHT Technology	60.0						
Project Team Salaries in excess of request		150.0					
NET REQUEST							
Person-Years	0.0	25.4	0.0	149.1	0.0	213.0	387.5
Salaries	0.0	836.4	0.0	5,623.5	0.0	8,023.5	14,483.4
Benefits	0.0	148.0	0.0	843.5	0.0	1,203.4	2,194.9
DOE	1,972.0	1,170.6	3,466.3	4,155.7	0.0	4,924.7	15,689.3
TOTAL COSTS	1,972.0	2,155.0	3,466.3	10,622.7	0.0	14,151.6	32,367.6

EMPLOYER HEALTH TAX STAFFING PLAN

	1989/90												1990/91												MATURE COSTS		
	J	A	S	O	N	D	J	F	M	P-Y	Salaries	A	M	J	J	A	S	O	N	D	J	F	M	P-Y	Salaries	P-Y	Salaries
Head Office																											
Director	ECP3						1	1	1	0.25	20,953	1	1	1	1	1	1	1	1	1	1	1	1	1.00	83,813	1	83,813
Secretariat																											
Manager	AM20						1	1	1	1	32,057	1	1	1	1	1	1	1	1	1	1	1	1	1.00	55,270	1	55,270
Program Analyst	AM19						1	1	2	0.75	38,605	2	2	2	2	2	2	2	2	2	2	2	2	2.00	102,946	2	102,946
Network Administrator	AM19						1	1	1	0.50	25,737	1	1	1	1	1	1	1	1	1	1	1	1	1.00	51,473	1	51,473
LAN Support	SO1						1	1	1	0.25	8,709	1	1	1	1	1	1	1	1	1	1	1	1	1.00	34,835	1	34,835
Resource Officer	FO1						2	2	2	0.50	16,920	2	2	2	2	2	2	2	2	2	2	2	2	2.00	67,680	2	67,680
Facilities Officer	OAG8						2	2	2	0.50	13,356	2	2	2	2	2	2	2	2	2	2	2	2	2.00	53,424	2	53,424
Process Control		0	0	1	3	3	9	9	9	3.08	135,384	9	9	9	9	9	9	9	9	9	9	9	9	9.00	365,628	9	365,628
Manager	AM20						1	1	1	1	32,057	1	1	1	1	1	1	1	1	1	1	1	1	1.00	55,270	1	55,270
Process Controller	AM18						1	1	2	0.83	39,891	2	2	2	2	2	2	2	2	2	2	2	2	2.00	96,124	2	96,124
Information Specialist	AM18						1	1	1	0.50	24,031	1	1	1	1	1	1	1	1	1	1	1	1	1.00	48,062	1	48,062
Prod. Ctl. Officer	SO1						1	1	2	0.75	26,126	2	2	2	2	2	2	2	2	2	2	2	2	2.00	69,670	2	69,670
Account Clerk	OAG12						1	1	2	0.67	24,451	2	2	2	2	2	2	2	2	2	2	2	2	2.00	72,988	2	72,988
Supplies Clerk	OAG8						1	1	1	0.42	11,219	1	1	1	1	1	1	1	1	1	1	1	1	1.00	26,712	1	26,712
Legislation		0	0	2	4	6	9	9	9	3.75	157,775	9	9	9	9	9	9	9	9	9	9	9	9	9.00	368,826	9	368,826
Manager	AM21						1	1	1	0.25	15,108	1	1	1	1	1	1	1	1	1	1	1	1	1.00	60,432	1	60,432
Sector Specialist	AM20		2	2	2	2	4	4	4	1.83	101,144	4	4	4	4	4	4	4	4	4	4	4	4	4.00	221,080	4	221,080
Interpretation Specialist	AM19		1	1	1	1	2	2	2	0.92	47,355	2	2	2	2	2	2	2	2	2	2	2	2	2.00	102,946	2	102,946
		0	3	3	3	3	7	7	7	3.00	163,607	7	7	7	7	7	7	7	7	7	7	7	7	7.00	384,458	7	384,458
TOTAL EHT HEAD OFFICE		0	3	6	10	12	26	26	26	10.08	477,719	26	26	26	26	26	26	26	26	26	26	26	26	26.00	1,202,725	26	1,202,725

In 1989/90, resources recruited will be a blend of contract and permanent staff. Recruitment competitions are already being posted for EHT Head Office and GTA East.

EMPLOYER HEALTH TAX STAFFING PLAN (Cont'd)

		1989/90												1990/91												MATURE COSTS			
		J	A	S	O	N	D	J	F	M	P-Y	Salaries	A	M	J	J	A	S	O	N	D	J	F	M	P-Y	Salaries	P-Y	Salaries	
Regional Offices																													
GTA East																													
Regional Service Manager	AM21				1	1	1	1	1	1	1	30,216	1	1	1	1	1	1	1	1	1	1	1	1	1.00	60,432	1	60,432	
Audit Manager	AM20							1	1	1	1	13,818	1	1	1	1	1	1	1	1	1	1	1	1	1.00	55,270	1	55,270	
Senior Auditor	FO4										0.00	0	1	1	1	1	1	2	2	2	2	2	2	2	1.58	75,752	2	95,888	
Auditor	FO2							3	3	3	0.75	29,207	3	3	4	4	6	7	9	9	9	9	9	9	6.75	262,865	9	350,487	
Audit Assistants	OAG12							2	2	2	0.50	18,247	2	2	2	2	2	2	2	2	2	2	2	2	2.00	72,988	2	72,988	
Taxroll Manager	AM18				1	1	2	3	3	3	1.08	51,907	3	3	3	3	3	3	3	3	3	3	3	1	2.83	136,015	1	48,062	
Collections Specialist	OAG11										0.00	0	6	6	6	6	4	4	4	4	2	2	2	2	4.00	132,924	2	66,462	
Taxroll Administrator	OAG10				10	10	22	33	33	33	11.75	351,901	33	33	28	28	28	26	24	24	18	18	14	14	24.00	718,776	14	419,286	
Administrative Clerk	OAG8				1	1	1	1	1	1	0.50	13,356	1	1	1	1	1	1	1	1	1	1	1	1	1.00	26,712	1	26,712	
		0	0	0	13	13	26	44	44	44	15.33	508,652	51	51	47	47	47	47	47	47	39	39	35	33	44.16	1,541,734	33	1,195,587	
Windsor-London																													
Regional Service Manager	AM21										0.00	0			1	1	1	1	1	1	1	1	1	1	0.83	50,159	1	60,432	
Audit Manager	AM20										0.00	0	1	1	1	1	1	1	1	1	1	1	1	1	0.83	45,874	1	55,270	
Senior Auditor	FO4										0.00	0	2	2	2	2	2	2	2	2	2	2	2	2	1.67	80,066	2	95,888	
Auditor	FO2										0.00	0	9	9	9	9	9	9	9	9	9	9	9	9	7.50	292,073	9	350,487	
Audit Assistants	OAG12										0.00	0	2	2	2	2	2	2	2	2	2	2	2	2	1.67	60,945	2	72,988	
Taxroll Manager	AM18										0.00	0	1	1	1	1	1	1	1	1	1	1	1	1	0.83	39,891	1	48,062	
Collections Specialist	OAG11										0.00	0	2	2	2	2	2	2	2	2	2	2	2	2	1.67	55,496	2	66,462	
Taxroll Administrator	OAG10										0.00	0	14	14	14	14	14	14	14	14	14	14	14	14	11.67	349,505	14	419,286	
Administrative Clerk	OAG8										0.00	0	1	1	1	1	1	1	1	1	1	1	1	1	0.83	22,171	1	26,712	
		0	0	0	0	0	0	0	0	0	0.00	0	0	0	33	33	33	33	33	33	33	33	33	33	27.50	996,180	33	1,195,587	
Ottawa																													
Regional Service Manager	AM21										0.00	0					1	1	1	1	1	1	1	1	0.67	40,489	1	60,432	
Audit Manager	AM20										0.00	0	1	1	1	1	1	1	1	1	1	1	1	1	0.67	37,031	1	55,270	
Senior Auditor	FO4										0.00	0	2	2	2	2	2	2	2	2	2	2	2	2	1.33	63,766	2	95,888	
Auditor	FO2										0.00	0	7	7	7	7	7	7	7	7	7	7	7	7	4.67	181,864	7	272,601	
Audit Assistants	OAG12										0.00	0	2	2	2	2	2	2	2	2	2	2	2	2	1.33	48,537	2	72,988	
Taxroll Manager	AM18										0.00	0	1	1	1	1	1	1	1	1	1	1	1	1	0.67	32,202	1	48,062	
Collections Specialist	OAG11										0.00	0	1	1	1	1	1	1	1	1	1	1	1	1	0.67	22,265	1	33,231	
Taxroll Administrator	OAG10										0.00	0	12	12	12	12	12	12	12	12	12	12	12	12	8.00	239,592	12	359,388	
Administrative Clerk	OAG8										0.00	0	1	1	1	1	1	1	1	1	1	1	1	1	0.67	17,897	1	26,712	
		0	0	0	0	0	0	0	0	0	0.00	0	0	0	0	0	28	28	28	28	28	28	28	28	18.68	683,643	28	1,024,572	

The potential stabilization of GTA East at 33 staff is a function of the pace at which the additional regional offices are established. Delays in establishing other regional offices will require GTA East to be maintained at a higher complement for an extended period of time.

The Ministry will give consideration to surplus OHP employees subject to their ability and qualifications in relation to EHT implementation.

EMPLOYER HEALTH TAX STAFFING PLAN (Cont'd)

[illegible]

EHT BRANCH OPERATIONS - STAFF & EQUIPMENT

Cost Category	-- 89/90 PLAN -- one-time on-going		-- 90/91 FCST -- one-time on-going		-- 91/92 FCST -- one-time on-going		3 YEAR TOTAL
Branch Setup Costs:							
EHT Technology Costs	456.0		882.0				1,338.0
Regional visits			5.0				5.0
Regional Staff Training			10.0				10.0
Staff Relocation			270.0				270.0
Subtotal	456.0	0.0	1,167.0	0.0	0.0	0.0	1,623.0
Operating Costs:							
Head Office							
Person-Years		10.1		26.0		26.0	62.1
Salaries		477.7		1,202.7		1,202.7	2,883.1
Benefits		71.7		180.4		180.4	432.5
Other DOE		813.5		2,320.1		2,365.1	5,498.7
Subtotal	0.0	1,362.9	0.0	3,703.2	0.0	3,748.2	8,814.3
GTA East							0.0
Person-Years		15.3		44.2		33.0	92.5
Salaries		508.7		1,541.7		1,195.6	3,246.0
Benefits		76.3		231.3		179.3	486.9
Other DOE	100.0	65.1		218.1		201.0	584.2
Subtotal	100.0	650.1	0.0	1,991.1	0.0	1,575.9	4,317.1
GTA West							
Person-Years				5.5		33.0	38.5
Salaries				199.4		1,195.6	1,395.0
Benefits				29.9		179.3	209.2
Other DOE			100.0	33.8		206.0	339.8
Space			423.5	80.7		242.0	746.2
Subtotal	0.0	0.0	523.5	343.8	0.0	1,822.9	2,690.2
Windsor-London							0.0
Person-Years				27.5		33.0	60.5
Salaries				996.2		1,195.6	2,191.8
Benefits				149.4		179.3	328.7
Other DOE			100.0	171.2		206.0	477.2
Space			391.2	169.4		169.4	730.0
Subtotal	0.0	0.0	491.2	1,486.2	0.0	1,750.3	3,727.7
Hamilton-Niagara							
Person-Years				16.5		33.0	49.5
Salaries				597.8		1,195.6	1,793.4
Benefits				89.7		179.3	269.0
Other DOE			100.0	103.0		206.0	409.0
Space			359.0	118.3		177.5	654.8
Subtotal	0.0	0.0	459.0	908.8	0.0	1,758.4	3,126.2
Ottawa							
Person-Years				18.7		28.0	46.7
Salaries				683.6		1,024.6	1,708.2
Benefits				102.5		153.7	256.2
Other DOE			100.0	117.7		176.0	393.7
Space			359.0	154.0		184.8	697.8
Subtotal	0.0	0.0	459.0	1,057.8	0.0	1,539.1	3,055.9
Kenora-Thunder Bay-S.S. Marie							
Person-Years				5.7		17.0	22.7
Salaries				207.6		624.8	832.4
Benefits				31.1		93.7	124.8
Other DOE			100.0	36.4		109.0	245.4
Space			266.6	49.0		97.9	413.5
Subtotal	0.0	0.0	366.6	324.1	0.0	925.4	1,616.1
Total Operating Costs:							
Person-Years	0.0	25.4	0.0	144.1	0.0	203.0	372.5
Salaries	0.0	986.4	0.0	5,429.0	0.0	7,634.5	14,049.9
Benefits	0.0	148.0	0.0	814.3	0.0	1,145.0	2,107.3
Other DOE	100.0	878.6	500.0	3,000.3	0.0	3,469.1	7,948.0
Space	0.0	0.0	1,799.3	571.4	0.0	871.6	3,242.3
Total	100.0	2,013.0	2,299.3	9,815.0	0.0	13,120.2	27,347.5

EHT BRANCH OPERATIONS - STAFF & EQUIPMENT

Cost Category	-- 89/90 PLAN -- one-time on-going		-- 90/91 FCST -- one-time on-going		-- 91/92 FCST -- one-time on-going		3 YEAR TOTAL
Branch Setup Costs:							
EHT Technology Costs	456.0		882.0				1,338.0
Regional visits			5.0				5.0
Regional Staff Training			10.0				10.0
Staff Relocation			270.0				270.0
Subtotal	456.0	0.0	1,167.0	0.0	0.0	0.0	1,623.0
Operating Costs:							
Head Office							
Person-Years		10.1		26.0		26.0	62.1
Salaries		477.7		1,202.7		1,202.7	2,883.1
Benefits		71.7		180.4		180.4	432.5
Other DOE		813.5		2,320.1		2,365.1	5,498.7
Subtotal	0.0	1,362.9	0.0	3,703.2	0.0	3,748.2	8,814.3
GTA East							0.0
Person-Years		15.3		44.2		33.0	92.5
Salaries		508.7		1,541.7		1,195.6	3,246.0
Benefits		76.3		231.3		179.3	486.9
Other DOE	100.0	65.1		218.1		201.0	584.2
Subtotal	100.0	650.1	0.0	1,991.1	0.0	1,575.9	4,317.1
GTA West							
Person-Years				5.5		33.0	38.5
Salaries				199.4		1,195.6	1,395.0
Benefits				29.9		179.3	209.2
Other DOE			100.0	33.8		206.0	339.8
Space			423.5	80.7		242.0	746.2
Subtotal	0.0	0.0	523.5	343.8	0.0	1,822.9	2,690.2
Windsor-London							0.0
Person-Years				27.5		33.0	60.5
Salaries				996.2		1,195.6	2,191.8
Benefits				149.4		179.3	328.7
Other DOE			100.0	171.2		206.0	477.2
Space			391.2	169.4		169.4	730.0
Subtotal	0.0	0.0	491.2	1,486.2	0.0	1,750.3	3,727.7
Hamilton-Niagara							
Person-Years				16.5		33.0	49.5
Salaries				597.8		1,195.6	1,793.4
Benefits				89.7		179.3	269.0
Other DOE			100.0	103.0		206.0	409.0
Space			359.0	118.3		177.5	654.8
Subtotal	0.0	0.0	459.0	908.8	0.0	1,758.4	3,126.2
Ottawa							
Person-Years				18.7		28.0	46.7
Salaries				683.6		1,024.6	1,708.2
Benefits				102.5		153.7	256.2
Other DOE			100.0	117.7		176.0	393.7
Space			359.0	154.0		184.8	697.8
Subtotal	0.0	0.0	459.0	1,057.8	0.0	1,539.1	3,055.9
Kenora-Thunder Bay-S.S. Marie							
Person-Years				5.7		17.0	22.7
Salaries				207.6		624.8	832.4
Benefits				31.1		93.7	124.8
Other DOE			100.0	36.4		109.0	245.4
Space			266.6	49.0		97.9	413.5
Subtotal	0.0	0.0	366.6	324.1	0.0	925.4	1,616.1
Total Operating Costs:							
Person-Years	0.0	25.4	0.0	144.1	0.0	203.0	372.5
Salaries	0.0	986.4	0.0	5,429.0	0.0	7,634.5	14,049.9
Benefits	0.0	148.0	0.0	814.3	0.0	1,145.0	2,107.3
Other DOE	100.0	878.6	500.0	3,000.3	0.0	3,469.1	7,948.0
Space	0.0	0.0	1,799.3	571.4	0.0	871.6	3,242.3
Total	100.0	2,013.0	2,299.3	9,815.0	0.0	13,120.2	27,347.5

FACILITIES COSTS

Cost Category	-- 89/90 PLAN -- one-time on-going	-- 90/91 FCST -- one-time on-going	-- 91/92 FCST -- one-time on-going	3 YEAR TOTAL
Implementation Costs:				
Tax Appeals relocation				
Leasehold Improv.	272.0			272.0
Moving expense	5.0			5.0
Furniture	255.0			255.0
Telephone	53.0			53.0
RST Durham relocation				
Leasehold Improv.	376.0			376.0
Moving expense	8.0			8.0
Furniture	405.0			405.0
Telephone	77.0			77.0
Head Office reconfiguration	25.0			25.0
Subtotal Implementation Costs	1,476.0 0.0	0.0 0.0	0.0 0.0	1,476.0
Operating Costs:				
Person-Years				
Salaries				
Benefits				
Other DOE				
TA - Rent	122.5	245.0	245.0	612.5
RST - Rent	169.5	339.0	339.0	847.5
Subtotal Operating Costs	0.0 292.0	0.0 584.0	0.0 584.0	1,460.0
TOTAL COSTS	1,476.0 292.0	0.0 584.0	0.0 584.0	2,936.0

INTEGRATED AUDIT

Cost Category	-- 89/90 PLAN -- one-time on-going	-- 90/91 FCST -- one-time on-going	-- 91/92 FCST -- one-time on-going	3 YEAR TOTAL
Person-Years		5.0	10.0	15.0
Salaries		194.5	389.0	583.5
Benefits		29.2	58.4	87.6
TOTAL COSTS	0.0 0.0	0.0 223.7	0.0 447.4	671.1

VI. STRATEGIC LINKAGE OF EHT ORGANIZATION DESIGN

Management Board Directives 7-1 and 7-2 establish the requirement for ministries to submit information technology strategic and operational plans each year. In recognition of the need to coordinate and synchronize business and information technology planning, the Ministry of Revenue has undertaken an integrated planning process, termed ESPRIT '97. The starting point for this process is the establishment of the Ministry's strategic business objectives and the identification of the critical success factors for the achievement of the Ministry's long term vision.

The 'first-cut' business vision for the tax program emphasized the importance of appearing as one organization to the client. This objective addresses the fact that Revenue's multi-tax clients perceive the Ministry as a number of discrete tax programs. A movement towards more integrated program delivery could simplify Revenue's operations. This would thereby enable one-stop taxpayer service and the development of standard business practices for taxroll maintenance and accounting.

The EHT design is consistent with the Ministry's long term strategy for integrated program delivery. The Ministry has already begun to expand the range of programs covered at the level of generic information distribution (i.e., Revenue Information Centres) and EHT now attempts to expand the range of account-specific information that will be made available through a single contact point. This service will come from the taxroll administrator who will provide a much broader range of tax-related services (albeit for a single tax administration) than ever before available from a single contact point.

Of course, the ultimate goal will be to provide a broad range of account-specific services for all tax areas from a single contact. The prerequisite for this goal is information architecture development that could take 4-5 years to complete. In the meantime though, the EHT taxroll administrator will serve as the prototype for the development of the ideal tax account representative. The development of expertise and skills necessary to service all areas of account management will be explored, tested and implemented at the level of a single tax administration through the proposed EHT design. Once the information systems are available, the position of taxroll administrator can be expanded to encompass the full range of taxes.

The EHT design, therefore, represents an attempt to expand the range of service and integrate taxpayer account management to the maximum extent possible given the current information systems. The proposed design is seen as facilitating the move towards this new approach to customer service.

VII. OUTSTANDING APPROVALS REQUESTED

1. Expenditure Increase of \$4,127,000 including \$836,400 in salaries and wages for start-up and operation of the Employer Health Tax Branch.
2. EHT accommodation strategy including new lease requirements for relocated Retail Sales tax Durham Field Office, relocated Tax Appeals Branch and EHT Regional Offices.
3. Establishment of executive position (ECP3).
4. Year II funding requirements (as specified in MB 89-009) of \$23,090,300 including \$7,512,300 in salaries and wages and \$4,738,500 relating to system development and RCC upgrade costs, should be recognized in the Expenditure Planning Forecast for the Ministry of Revenue.

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